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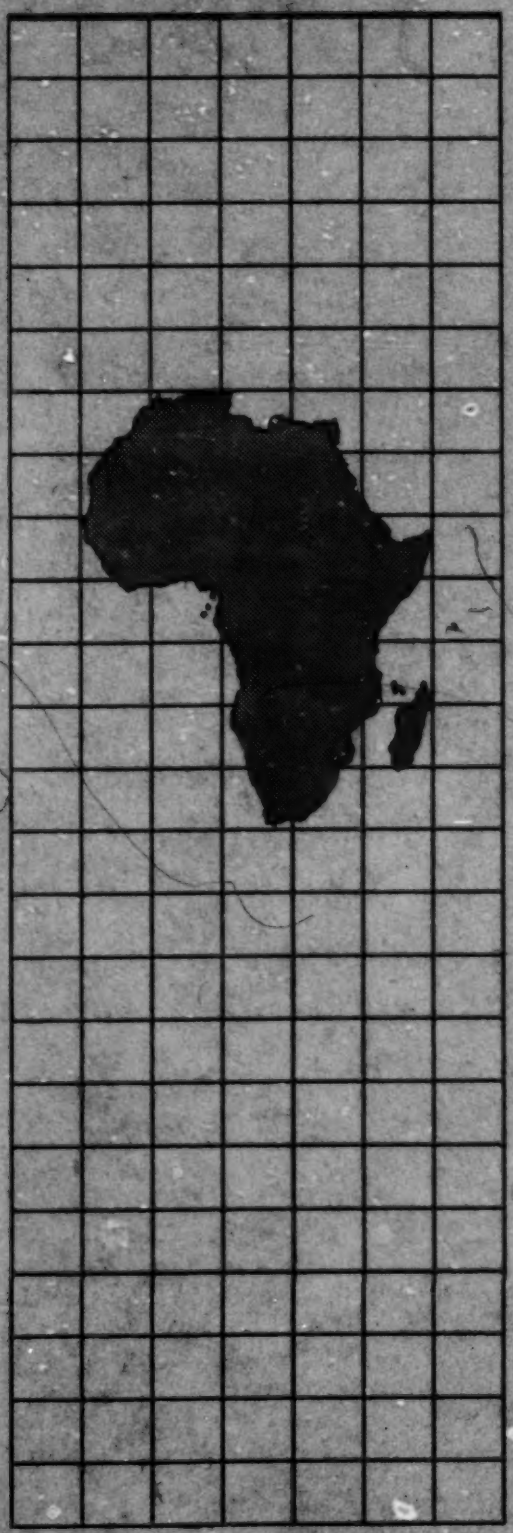

HUMAN RESOURCES DEVELOPMENT IN AFRICA : ISSUES AND TRENDS

FOCUS ON:

MEASURES AND STRATEGIES FOR ENHANCING HUMAN RESOURCES PRODUCTIVITY

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HUMAN RESOURCES DEVELOPMENT IN AFRICA

FOCUS ON:

Measurement and Strategies for Enhancing Human Resource Productivity

December 1990

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C H A P T E R I

MEASURES FOR ENHANCING HUMAN RESOURCE PRODUCTIVITY

CHAPTER I

MEASURES FOR ENHANCING HUMAN RESOURCES PRODUCTIVITY

The Meaning of Human Resources Productivity

Labour, as an economic concept, can be defined as the total requirement in mental, physical effort to produce an output within a given period of time. It denotes the human input into productive economic activities and implies the knowledge, skills, attitudes, physical and managerial effort required to manipulate capital, technology, land, etc. to produce goods and services for human consumption.

Productivity is a relative concept. Broadly defined, it means the relationship between output and the total input of factors necessary to produce that output. It implies the existence of a production norm given certain production conditions. One may measure productivity by averaging the productivities of all factor inputs, or by determining marginal productivity which entails measuring the change in output that is occasioned by the addition of one unit of input to production.

A number of factors determine productivity levels: management and supervision; plant, equipment and materials available to labour; workers' attitude to work; skill levels; working environment and conditions; worker's health; income levels; climatic and geographical factors; government fiscal and other policies, etc. These are factors that are extraneous to work itself, and which are difficult to control. Subjective variables that affect worker productivity are those which lend themselves to manipulation i.e. skill levels, management practices, health conditions, etc.

The Current Economic, Employment and Productivity Situation

In African economies, labour force distribution among the economic sectors tends to coincide with the distribution of population between the rural/agricultural and the formal/wage sectors. Approximately 85% of the African population resides in rural areas and a corresponding percentage of the labour force operates in subsistence/agricultural activities.

Although open unemployment in the rural/agricultural sector is insignificant, there exists in that sector, large pockets of underemployment. The underemployed are those who for various personality, health or technical reasons are unable to produce to the optimum i.e. workers with low productivity. In rural areas, the most common form of underemployment is what is referred to as "visible" underemployment: workers spend more time than is desirable in leisure or non-economically productive activities. Most of the underemployed include workers whose production activities require less than forty hours of their labour per week. A good number of agricultural workers are also in "disguised" unemployment. This means that they would be rendered openly unemployed should simple and more efficient methods of production be introduced. At present, rural underemployment is estimated to affect over 90 million workers.

In the formal/wage sector, underemployment is estimated to affect more than 30 million workers. These include the victims of overmanning and the potentially redundant workers who would become openly unemployed if simple changes in management or work practices were made. In addition to those large numbers of underemployed workers, there exists in formal wage labour markets in Africa, some 30 million openly unemployed persons i.e. those willing and able to work, who are actively seeking work but without success.

All indications point to a deterioration of the human resources utilization situation in Africa. Measures and strategies have to be evolved to tackle the problem of open unemployment and to significantly reduce the incidence of underemployment. First among these is government fiscal incentives to stir the economy; investment policies to create effective demand for labour; educational and training programmes that would build up skills, and the improvement of management practices.

Fiscal Measures for Enhancing Human Resources Productivity

Government's formulation of fiscal policies to affect worker productivity positively, depends on the economic sector to which these policies are directed. For example, the types of incentives which would affect wage employees would differ from those which would have an impact among workers in small-holder agriculture, subsistence farming or family-owned establishments in the infomal sector.

The greatest incentive to worker productivity is an increase in income and earnings provided through wage remuneration. In fact, in industrialized economies, the wage index is one important indicator of productivity levels. Although that measure of productivity cannot

be applied in toto in African economies, it should not be dismissed outright. Wage and salary levels in situations where it is difficult to measure how they may be a function of productivity, shoud be seen as an incentive to motivate workers towards higher productivity. Remuneration through wages and salaries should, for African economies, act as input indicators more than output indicators of productivity.

It is important, however, for minimum wage laws as they relate to productivity enhancement, to be examined critically, because their outcomes could be counter-productive. It has been argued that in situations where unemployment has been found to be demand - deficient, minimum wage legislation might even exacerbate the problems since, unless there is an increase in labour's marginal productivity in the short run, it would have a negative impact on profits and induce employers to reduce the size of labour's input to production, thereby increasing unemployment and lower rates of productivity within the economy. Such an eventuality can be avoided by applying wage rate subsidies to employers, so that the latter's income derived from labour would not be decreased, the impact on output would not be negative and incentives to motive workers would not diminish.

Minimum wage increases might also result in a depressed demand for labour especially if they occur in conditions where productivity is stagnant or declining: since the minimum wage is applied to low-skilled workers, i.e. low-productivity labour, increasing the price of that labour will only discourage employers from being willing to pay for it, unless there are increases in output that significantly offset the wage increases. Lay-offs would follow and youths would be the first victims.

Another argument against minimum wage increases is the one that sees wage rates in African economies as being already too high vis-a-vis national per-capita incomes, including incomes of subsistence/agricultural workers. Moreover increasing minimum wages, tends to have very little impact on real incomes, since, more often than not, consumer prices rise correspondingly, if not higher to erode the increase. Thus wage and price distortions result.

In addition to wages, fringe benefits also form part of the range of incentives provided to workers. Fringe benefits do not entail current money payments to workers, but can include anything paid by the employer for the benefit of the employee. This might range from investments in a workers' cafeteria, to transportation facilities and even benefits required by law, i.e. social security, old-age pension, etc. Most expenditures for the provision of fringe benefits are tax-exempt. Tax considerations, therefore, in most cases, account for generous fringe benefits. In addition, they encourage good workers and those on whom investments have been made through training to work more conscientiously and efficiently.

Improving the Management of Human Resources

Efficiency in human resources management determines efficiency in productivity. It is, therefore, important for managers of the workforce to be carefully selected so that they are able to bring to the production process, all the skills necessary to make them bring out the best from the workforce. This requires that human resources managers be equipped with the skills necessary to be effective in planning, in procuring and applying effectively, material inputs to production, in planning work and in supervising and monitoring workers and in motivating them towards high productivity.

These skills must be shown at the initial stage of recruitment, which simply implies the selection of the best material among a range of available materials. Any mistakes at this initial stage of management would obviously affect the skills input to production in a negative way. After having selected the group of people with the appropriate skills, knowledge, aptitudes and experience to undertake production, the manager must be sure that he makes available to them the relevant inputs and support services that would facilitate the production process and yield high quality outputs. Here choice of production equipment and tools, transport and communications systems, and the arrangement transport and communications systems, and the arrangement of the physical working environment all become extremely important in the management function. Supervision, the really operational element in management, follows. It is at this level that the interplay of available factors of production are monitored and made to interact towards higher levels of productivity. The line manager is the prime agent in this. It becomes his job to bring out the best in his workforce by helping to sharpen their skills on the job through training, by encouraging self-development for greater work efficiency, by motivating his team so that they become more productive and more efficient, and by clearing obstacles that depress productivity levels.

These attributes of management can be instilled into managers through education and training. It is, therefore, important for Africana governments to raise management skill levels so that they contribute much more to raising human resources efficiency within the continent. Management training programmes should be increased and strengthened, and more efforts are required to adopt management theory so that it fits production realities in African countries.

Education and Training of the African Workforce

The education and training system determines to a large measure, the skills composition of the workforce within an economy. Where this system inculcates skills and knowledge that are irrelevant to the needs of employers, they would, naturally contribute to

unemployment, underemployment and low levels of productivity. In quantitative terms the number of workers with high levels of skill also determine the potential aggregate productivity of human resources within an economy.

In Africa, this is an area that requires great attention because of the low skill levels prevailing and the high job/skills mismatches which are prevalent in African countries. These mismatches are normally corrected through training on the job or in formal training institutions. Opportunities for providing such services to Africa's workforce are still inadequate. Facilities for providing formal training in institutions within the region are inadequate, and employers are reluctant to spend production time and resources in providing training on the job.

A number of measures should be directed at improving the delivery capacity of African educational and training systems. Curricula and course offerings need to be streamlined with the socio-economic development needs and priorities of African countries, education and training opportunities should be made available to a larger proportion of the workforce. Systematic training of the present workforce should be seen as a policy that is essential to the maintenance, if not the improvement of the levels of productivity within the economy. And co-operation between African Governments and educational and training institutions can only strengthen the region's capabilities to deliver this vital service in human resources development.

Institutional Support

To be successful in implementing policies and programmes, effective institutions need to be put in place. All African countries have a structure for providing institutional support to programme and policy implementation: ministries of labour and of planning have, traditionally been responsible for implementing government employment and human resources utilization policies. However, in recent years, ministries of manpower have been created in a number of countries in recognition of the importance of human resources in socio-economic development. Where full ministries do not exist to monitor manpower planning and development, at least ministerial departments, sections and units have been established within existing ministries for that purpose.

These government institutions are responsible for collecting data and information on manpower development and utilization with a view to determining trends, emerging problems and other elements requiring corrective measures. They also liaise with training institutions and employers to agree on effective employment and training policies. Another very important function of these government institutions is to enforce government legislation on manpower and employment questions.

Conclusions

Human resources productivity decreases within African economies have contributed to the very poor performance of African economies in the last several years. Unemployment and underemployment have been on the increase, with very little change of the situation improving in the years ahead, if present policies on emplyment generation and productivity enhancement persist.

Measures should be evolved to address the situation by making improvements in education and training in management of the workforce, in employment planning and in the conduct of studies on labour and employment. African governments have made efforts to improve the situation in these areas, but much more needs to be done.

Above all, there is need for constant monitoring of developments in the area of employment, which calls for an effective diagnostic system to be put in place. Follow-up on studies and research is important, as is the need to coordinate the activities of all government organs with inputs into the development and utilization of human resources.

C H A P T E R II

POLICIES AND PROGRAMMES FOR CREATING AMPLOYMENT AND RAISING INCOMES IN THE INFORMAL SECTOR IN TANZANIA

CHAPTER II

POLICIES AND PROGRAMMES FOR CREATING EMPLOYMENT AND RAISING INCOMES IN THE INFORMAL SECTOR IN TANZANIA

I. INTRODUCTION

A Conceptual Treatment of the Informal Sector

The policies pursued by almost all the developing countries in the post-colonial period tended to shift internal terms of trade in favour of the urban and against the rural sectors.[1/] As a result, an illusion of high probability for income and employment opportunity in urban areas emerged; and this triggered a dramatic rural-urban migration-at rates above 10% in Tanzania during 1967-87. Since new urban job creation was insufficient to absorb the endogeneous growth of labour in the cities, let alone the additional influx from the rural areas, the result was a ceaseless rise in urban mass unemployment, which proved to be a major setback to development. A natural reaction to the unsustainable rise in the dependency ratio for those who found employment in the formal urban sector was a search for survival algorithms outside formal employment--in what came to be dubbed the "informal sector". For a long time, at least up to the release of the ILO Report on Kenya in 1972, the informal sector (also referred to as the underground, parallel, unofficial, black, backyard or second economy) was labelled as unproductive, a harbour of rogues and vagabonds, and a ground for theft and fraud. A turn-around in this view was set by the ILO Report (1972), which, basing on the findings in an earlier Mission to Colombia and Kenya, defined the informal sector activities as a way of doing things characterized by:

(a) ease of entry,
(b) reliance on indigeneous resources,
(c) family ownership of enterprises,
(d) small-scale of operation,
(e) labour intensive and adapted technology,
(f) skills acquired outside the formal school system, and
(g) unregulated and competitive markets (ILO 1972, p.6).

Implicit in the ILO definition of the informal sector are probably the advantages, to the nation, of the informal sector. These are:

1. By providing jobs which require little real and human capital, the sector makes a major contribution to the reduction of the high youth unemployment figures.

1/ This is particularly true of the industrialization strategy and its urban-bias pattern of distribution. similarly the case of infrastructural growth (See, for example, Willie Okowa (1981) for account on Nigeria's experience).

2. Because of the poor opportunities to enter the organized money markets, own-savings (and those of families and friends) constitute the main source of financing, so that arguably the informal sector induces the saving-investment process.

3. Numerous informal maintenance and repair establishments recycle old and discarded materials of industrial production, in other words, help to save real capital, thereby resulting in a better utilization of scarce resources.

4. The use of alternative materials and technologies, and optimality in sizes of activities, allow the informal sector to offer its products at relatively low prices. This is reinforced by the insecurity and competitive pressure in the sector, which add the narrowing of the price margins of producers as well as to innovative motive.

5. The dominance of labour-intensive and capital-saving technologies suggest that the informal sector is a foreign exchange saver.

The foregoing characterization point to the fact that the informal sector is an important employment and income generating sub-system in developing economies. However, in order to realize this potential, measures-policies and programmes-supportive to the working of the sector are pertinent. The definition of such measures has to be based on extensive knowledge of the specific peculiarities and conditions of the informal sector in each particular country. This paper seeks to address the issue in the Tanzanian context.

II. THE TANZANIAN INFORMAL SECTOR

Main Features of its Operations

Studies of the Tanzanian informal sector have revealed that informal activities take place in all the three sectors of the economy - agriculture, industry and services.[2/] In particular, informal activities have included household work, barter exchange, other small scale unregistered operations such as food vending, operating small kiosks, small scale repair and maintenance services, construction,

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2/ See Bagachwa (1990), ILO (1982) and Maliyamkono and Bagachwa (1990).

transportation, furniture making, shanty eating places, tailoring, local beer brewing, hair braiding, shoe-shining, urban farming, urban poultry and animal husbandry. The basic characteristics of these activities in Tanzania is that they escape government regulations and fall beyond the reach of national accounts statistics save for a rough estimate measure of subsistence activities included in the accounts, but reflecting purely rural household and barter activities. It is noteworthy that in recent years, the informal sector has tended to expand on account of a range of activities in the subsistence or survival economy of the urban dwellers of all classes. Most of the activities in the informal sector represent legitimate survival strategies adopted in the face of declining incomes and growing unemployment. Thus, in the 1980s, with economic hardships increasingly felt by all, the extra employment and incomes generated by informal activities had a stabilizing effect. There are other factors that accounted for the rapid growth of the informal sector in the past decade. Among the more important ones are:

(i) Inadequate agricultural sector policies, including among other things, poor producer incentives that were compounded by declining real producer prices in the face of an overvalued shilling exchange rate: as a consequence, agriculture failed to provide attractive income opportunities to the growing rural work force.

(ii) Deterioration of efficiency and productivity in the formal sector exacerbated by foreign exchange scarcity and import strangulation, leading to sharp decline in capacity utilization in the sector, which in turn entailed retrenchment of employees.

(iii) Excessive and inefficient government regulation causing costly barriers to creation of enterprises along formal procedures, thereby stifling formal economic activity.

(iv) More unimportant is probably the lack of transparency in Government and Party policies (at least from 1967) about the role of the private sector in economic development. Private entrepreneurs have been reluctant to register their firms for fear of nationalization or of being called anti-socialist. Moreover, the Leadership Code which prohibited high and middle income earners in the public sector from pursuing secondary income generating activities seriously undermined the chances of those who had investment ambitions to operate their businesses in the open economy. The problem is that the "leaders" were the same people with high ratios of dependents. Creating jobs for these dependents meant going underground.

(v) The decline in real earnings of the formal sector employees, that followed the economic crisis from 1980,[3/] was so substantial that formal sector incomes could no longer provide the basis for minimum subsistence. As a result, formal sector employees had to look for secondary sources of income, and given the "Leadership Code", the best alternative was to go informal.

Other activities that warrant classification under the Tanzanian informal sector are Parallel market and black market activities. According to Bagachwa (1990), parallel market activities involve illegal production and trade of goods and services that are legal in themselves, and therefore have an alternative legal market. The evolution of the parallel market in Tanzania was in response to excessive government controls (on prices etc.) that created excess demands. The main characteristic of the parallel market is the drive towards amassing illegitimately large profits by avoiding price directives, quota restrictions, ratio coupons, or confinement of sale of certain commodities to public monopolies. The parallel foreign exchange market has been induced by the official exchange rate overvaluation coupled with foreign exchange rationing; excessively high import tariffs have motivated under-invoicing of imports; import licensing restrictions have promoted smuggling; product shortages have caused queues and diversion of goods from the official channels to the underground.

As opposed to 'parallel' activities, 'black' market activities produce (or distribute) goods that are illegal and forbidden by government laws-such as narcotics, arms and illegal transfers e.g. thefts, frauds and bribes.

Locational Characteristics

The locational flexibility of the informal sector activities enables them to be dispersed into the countryside. This has helped to reduce the magnitude of seasonal underemployment, as well as potential rural and urban unemployment. The establishment of profitable industrial productive activities in the countryside may induce further local savings and investment. The income gains are potential asset in reducing rural-urban income differentials and the incentive to migrate into urban areas. Given the low levels of technical, social and economic infrastructure requirements, the sector's activities can economize expenditure on utility services e.g. water and electricity, while coping with the underdeveloped transport network and low levels of import capacity and equipment availability characteristic of the Tanzanian economy.

3/ It is estimated that real wages in the formal sector dropped by about 65% between 1979 and 1984.

A study performed by a Consultant Team[4/] revealed that of the 350 informal sector enterprises surveyed 83 per cent were carried out in fixed location. Almost all (99.5 per cent) of the agricultural and natural resources activities were performed in fixed locations, followed by catering and culture (93.3 per cent), production and maintenance (83.0 per cent); and trading (81.8 per cent). this finding suggests that a large part of informal sector activities is not so much 'hidden', but reachable by policy-makers, and may therefore be assisted with advice and infrastructural services.

The location of business is a costly affair since it requires land, working premises, machinery and accessibility. Reports appearing in the Tanzanian Daily Newspaper indicated that some of the informal sector operators complained that the Dar es Salaam City Council (a body responsible for allocating plots in the city) was not allocating them premises. The other problems are harassment by City and Municipality Council officials and lack of operating capitsl.[5/]

According to a study by Bagachwa (1981) out of a total of 104 establishments surveyed in the Arusha township the percentage distribution and pattern of ownership of building, plant and machinery were as shown in the following Table.[6/]

Percentage Distribution of Owned and Unowned Premises (Buildings), Plant and Machinery

	Industrial Category	Premises & buildings % owned	Plant & machinery % owned
I.	Wood	80	91
II.	Food	85	92
III.	Textiles	60	80
IV.	Tourism	62	94
V.	Basic Industries	79	87
VI.	Services	83	93

Source: Bagachwa M.S.D. "The Urban Informal Enterprise sector in Tanzania: A case study of Arusha Region" ERB Paper 81.4.

4/ Redeployment of Human Resources in Tanzania: "Report on the Informal Sector: Constraints and Opportunities" March, 1989.

5/ Daily News, April 4, 1990.

6/ See Bagachwa M.S.D. "The Informal Enterprise Sector in Tanzania: A case of Arusha Region" ERB paper 81.4.

For obvious financial, economic and cultural reasons, most of the people engaged in the informal sector prefer doing their business first, and above all, near the market and secondly, near their place of domicile. It is probably implied that by their very small nature, informal sector activities depend mainly on the producers' good-will and locational advantages.

Gender Composition

Some studies have shown that informal sector activities in Tanzania follow a specific gender pattern. According to the ILO Report[7/] out of 529 enterprises surveyed 73.2 per cent were owned by married people 20.6 per cent singles, 3.4 per cent by divorcees, 1.7 per cent separated couples and 1.1 per cent by widows. Married people desire to own informal businesses to provide for self employment, employment for formerly employed spouse, employment for children and other dependants, and, to provide supplementary income.

Singles, either young and unmarried or old and solitary, because of their lesser social responsibilities, do not engage themselves much in the informal sector activities. It also happens that married persons are financially more capable of raising initial capital than others, have a great sense of survival and, on average, usually own residential premises, where informal activities may be carried on.

In the rural areas, there is a heavy representation by spouses in informal farming activities. In the Maliyamkono-Bagachwa Survey (1990), up to 80% of the household heads whose primary occupation was farming, 88% had spouses engaged in non-wage employment. In other words, up to over 70% of the female population in areas covered by the survey were not engaged in paid employment.[8/]

Form of Entry

In most instances entry into the informal system is facilitated by those engaged in the formal sector. For example, accessibility to the organized credit/banking system for some relatively small initial working capital, and to premises or plots in the towns is often obtained through the help of relatives and friends directly working, or with good contacts, in the formal sector. The implication is that entrants without formal contacts find it more difficult to initiate informal activity, unless they have adequate prior savings.

7/ ILO - "Redeployment of Human Resources", March 1989.

8/ The rural areas surveyed included Dar es Salaam, Tanga, Arusha, Mwanza and Mbeya.

The Maliyamkono-Bagachwa Survey of the sector in Tanzania also found that business knowledge and education were not significant factors for entry into the informal sector. The informal sector entrepreneurs acquire business skills mostly through actual performance of the business. Moreover, the survey evidenced the fact that the informal sector is dominated by people with lower than secondary education. This is because employment opportunities for them in the formal sector are limited. They have little or no capital to engage in formal activities and they are encouraged to undertake informal sector activities by the sheer need of survival.

In the rural sector, entry into the informal activities was reinforced by inadequate producer price policies that made export/cash crop production less attractive than the non-officially marketable farm products--food crops, poultry and animal products. Thus, following the economic crisis, which began in the second half of 1970s, some peasants in the rural areas reacted, by changing both the composition of output and sales destination of their marketable surpluses. Especially due to Tanzanian shilling overvaluation from 1979, producer prices for export crops got markedly depressed resulting in substantial income transfers from cash crop producers. This led to farmers shifting from export crops to food production which offered relatively higher returns.

Some farmers after seeing their agricultural incomes shrinking responded by seeking part time employment in non-farm activities. In some instances this meant a revival of traditional skills in the informal sector. In urban residents engaged in sideline activities in the informal sector, including, for example, animal husbandry (especially dairy cattle), poultry and piggery.

The Size: Estimates

Available studies of the Tanzanian informal sector show that there are no consistent estimates of the overall size and growth of the informal sector. Indeed, even the methodology for estimating the size of the sector leaves a lot to be desired.

One approach to measuring the size of the informal sector has been to rely on monetary statistics to establish discrepancy between currency normally needed and that which is actually observed in the monetary system. The basic premise of this approach is that in order to avoid Government detection, all informal sector activities avoid use of cheques and rely only on currency for transactions. Therefore, relative changes in currency holdings are interpreted as reflecting volume movements in the informal sector activities. The advantages of this method is that it permits the computation of a time series of the informal activities.

Following this approach, Maliyamkono and Bagachwa (1990) estimated the size of the second economy in Tanzania as presented in Table 1 for the period 1977-88.

Table 1: Estimated Size of the Informal Sector in Tanzania

Year	Official GDP at factor cost (Mill. Tshs.)	Informal Sector GDP (Mill. Tshs.)	Informal Sector GDP as percentage of official GDP
1975	16,988	1,116.9	6.6
1976	22,620	644.0	2.8
1977	16,105	-	-
1978	28,430	2,779.9	9.8
1979	32,452	6,842.0	21.1
1980	38,667	9,262.3	24.2
1981	45,193	12,308.3	27.2
1982	54,193	15,483.5	28.2
1983	60,702	13,354.4	22.0
1984	74,608	18,989.0	25.4
1985	97,767	28,211.6	28.8
1986	131,346	41,187.2	31.4
1987	192,969	34,730	30.9
1988	290,667	33,698	21.9

Source: Maliyamkono, T.L. and Bagachwa, M.S.D. "The Second Economy in Tanzania" EAS 1990 p. 144, Estimates for 1986-88 were made by author.

From the Table, it is evident that during the time of the economic slowdown from the late 1970s and early 1980s the informal sector activities picked up rapidly reaching 31.4% of the official GDP in 1986, being a reflection of attempts by individuals to alleviate economic hardships by seeking secondary income outside the formal economy. Following the adoption of the ERP in 1986 the relative size of the informal sector has taken a downward trend.

However, the estimates based on the "currency" approach should be interpreted with great caution because the assumption that transactions in the informal sector are strictly paid for in currency alone introduces a downward bias in the results. Secondly, the approach does not impute values for transactions involving barter exchange.

The second approach in estimating the size of the informal sector is known as the income-expenditure discrepancy approach. This approach compares national accounts estimates of income sources and expenditure outlays at the macro level. Alternatively, a micro-level approach can be used to assess the income-expenditure discrepancy of particular individual households or groups. Taking a reasonably large group the results can be extrapolated to constitute an estimate of the informal sector.

However, it has been difficult to use this approach in estimating the size of the informal sector in Tanzania. This is mainly due to lack of actual figures for private final consumption expenditure. Even if this figure was available there are still two major shortcomings: there are bound to be errors in both the income and expenditure aggregates which arise from misreporting of factor incomes, and secondly, errors may arise due to differences in time and statistical coverage.

It is also possible to estimate the size of the informal sector by the number of employees in it. One way of doing so, for urban areas, is to follow the following procedure:

(i) Estimate, from the population census data, the number of people in the working age group--i.e. establish the potential labour force;

(ii) Estimate, from the published Survey of Employment and Earnings, the number of registered employees (formal employment);

(iii) The difference between the work-force and registered employment gives a guestimate of informal employment.

Using the approach outlined above we derive the following for Dar es Salaam (1988 figures).

Total Population in Dar es Salaam of which:	=	1,360,850
Total workforce	=	454,796
Registered Employment	=	206,893
Unregistered employment = (informal sector employment)	=	247,903

Thus, in 1988 about 54.5% of total labour force in Dar es Salaam was employed in informal sector activities. This collaborates the estimates of informal sector GDP, when account is taken of the fact that labour productivity in the informal sector is probably lower than in the formal sector.

According to some studies, most of developing countries are characterized by a rapidly growing population and labour force. While much of this labour force will be absorbed in traditional agriculture, it is clear that an increasing amount of labour will seek employment in non-farm activities--roughly two out of every three job seekers over the next 25 years.[9/] Some of these jobs may be found in villages and small towns closely linked to agriculture but a growing number, however, will have to be found in the informal sector both in large towns and cities. This arises from the fact that in urban areas, the growth rate of industrial employment generally lags behind the growth of labour force.

According to one study by ILO,[10/] it was found that in 1986 wage employment in Tanzania was estimated to be 784,868. This was about 6 per cent of the total labour force and for the period 1975-1986 the annual growth rate of the labour force was estimated to be 4.2 per cent. After 1986 the labour force was estimated to grow by a small margin while population growth was estimated at 3 per cent. This indicates that the formal sector will be unable to generate wage employment to match the population growth. The informal sector, therefore, is implicitly the only source for providing opportunities for employment and income generation. This would, however, require that the Government provide the necessary catalytic actions.

Problems Facing the Informal Sector

Presently, the informal sector faces problems and constraints which restrict its effectiveness in job creation. Broadly, the major problems and constraints include: regulatory constraints particularly in terms of licencing procedures, lack of adequate managerial capacity, lack of working capital and accessibility to institutional credit, inadequate supportive infrastructure, scarce inputs, limited relevant skills, the weak marketing support the sector receives from the Government and relevant agencies and, above all, absence of policy commitment on the part of the government. It is highly desirable that policy decisions that can alleviate these problems and ease the constraints are taken to make it easy for the informal sector to grow while facilitating the maximum exploitation of the employment and income generating potentials of the sector.

9/ "Employment and Development of Small Enterprises" Sectoral Policy Paper, World Bank, Feb. 1978.

10/ ILO "Jobs and Skills Programmes for Africa", Addis Ababa, 1987.

According to the study conducted under the Government/UNDP project on Redemployment of Human Resources in Tanzania, the informal sector is identified as being a dynamic sector able to generate employment and income for a large section of population. The study revealed a comprehensive set of problems that face the informal sector: constraints that limit the sector's capacity to offer opportunities for viable economic activities outside formal system.

The study confirmed the suffering experienced from a series of discriminatory practices in the economic, financial and legal spheres which hinder the informal sector's growth. The informal sector activities are often blacklisted by the government and local authorities for reasons of public health, security and working conditions.

The findings of the ILO/UNDP project are supported by a survey of problems faced by the informal sector in Arusha Region by Bagachwa (1981). These are summarized in Table 2

Table 2: Problems of the Informal Sector: A Case Study of Arusha Region

Industrial Category	Percentage of Firms Affected				
	Under Utilization of Capacity	Input Supply Problems	Lack of Finance	Competition and Market Problem	Managerial Problems
I. Wood	98	40	30	20	15
II. Food	95	60	42	10	20
III. Textiles	90	51	40	41	8
IV. Tourism	97	18	20	25	7
V. Basic Industries	96	70	31	30	5
VI. Services	87	29	25	5	2
Average Percentage	93.5	44.6	31.3	21.8	9.5
No. of establishment which responded	70	92	95	100	99

Source: Bagachwa M.S.D. "The Urban Informal Enterprise Sector in Tanzania: A case study of Arusha Region" ERB Paper 81.4

According to Table 2, basing on a Survey of about 100 entities, underutilization of capacity averaged 93.5% due largely to input supply constraints, followed by problems of raising finance, then marketing and finally, managerial problems.

Several of the informal sector food vending activities surveyed in Dar es Salaam were found to be operating from street pavements.11/ This locational status was found to have the following repercussions:

- All of these "restaurants" so-called 'mama-ntilies' block the free flow of pedestrians. Most times people are forced to keep dodging them or have to walk right on the streets, which is dangerous given the recklessness of driving.

- These "restaurants" are unhygenic. They have no easy access to water so that sometimes the little water they have might even have come from ponds. Further, the people serving in such restaurants do not seriously care about self-cleanliness.

- These "restaurants" are one of the main contributors to the ever rising mounds of uncollected rubbish gracing the streets.

- It has been alleged that some food served in these "restaurants" is stolen or even condemned for human consumption.

- These restaurants do not observe labour laws. Salaries are paid according to the whim of the owner; child labour is very common and some even work very long hours.

Due to these repercussions, the informal activities involving food vending have periodically faced harassments from the Government officials. In such circumstances, the survey suggests, there is a need to look for solutions that will satisfy town planning and land use, city council by-laws, office workers in need of cheap food and gainful employment for the operators. First of all it is suggested that the City Council designate appropriate places where such operators can carry out their businesses. Secondly, both water and electricity should be provided in such places adequately.

Another study conducted by consultants on behalf of the Government in 1989[12/] showed that out of a sample of 529 types of activities surveyed, about 62.9 per cent of all activities were financed by owner savings, whereas borrowed funds contributed only 23.6 per cent. Most

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12/ "Redeployment of Human Resources"...op.cit.

of the borrowed funds again came from friends followed by loans from money lenders (1.5 per cent) and banks (1.3 per cent). This reflects the difficulty these enterpreneurs face in getting money from financial institutions, thus presenting a major constraint to the would be entrants unless there are deliberate efforts to reformulate existing credit and financial policies to accomodate low income entrants in the informal sector.

According to the same study, lack of technical know how was found to be one of the problems adversely affecting the smooth running of the enterprises in the informal sector. Majority of individuals acquired whatever skills they had through "self-taught" method, whereas only 3.8 and 8.3 per cent respectively acquired their knowldege through schooling and apprenticeship. This is an indication of lack of systematic development of technical as well as managerial skills. lack of managerial skills has had several implications for the performance of informal sector activities. For example, an article appearing in the Tanzanian Daily Newspaper described the difficulties an apprentice encountered when making "local" car bushes due to lack of enough skills. At first he had difficulty in making a smooth round hole.13/

Although lack of capital and skills is conspicuous in the informal sector, there is one hidden factor which can not be adequately explained. This latent, albeit effective, constraint is--as mentioned earlier--the lack of a defined policy governing the informal sector. In the first instance, the informal sector has no public recognition as an important sector in the economy. People engaged in the informal sector activities are frequently subjected to harassment and criminal treatment. Contrary to this, the informal sector has been very instrumental in servicing the population with the necessary and basic needs during the economic crisis, and even after trade liberalization. In particular, by mitigating the negative effects of foreign exchange shortages and by providing goods and services at affordable prices against the highly inflated prices of imported goods, the informal sector has cushioned especially the low income earners in the adjustment fatigue of the ERP.

Notwithstanding all problems and constraints limiting it, the informal sector has the potential capacity to provide viable economic opportunities, what is important is for the Government to create a conducive economic environment that will facilitate optimal exploitation of the sector's opportunities.

13/ Daily News, April 4, 1990.

Government Policies on the Informal Sector

Whereas public authorities have concentrated on the development of large, medium and small scale formal (registered) industries, the informal sector developed without the active encouragement of the public authorities. Yet it is this informal sector that frequently provides products which substitute for the output of the formal sector and which, because of their lower cost of production and location, are more suited to the needs of the less affluent segments forming the majority of the population.

It is only recently that the informal sector has attracted the concern of government authorities. Thus, for instance, the President on a recent tour of the Dar es Salaam Small Industries Cooperative Society (DASICO) (in December, 1989), hailed the role of this sector, which he said "generated income for those engaged in it, increased the supply of goods on the market and created employment for youths." At least 500,000 Tanzanian youths finish primary education every year. The opportunities for post-secondary education are limited and agriculture and the informal sector provide employment for most of them.

In line with the change in attitude of the authorities towards the informal sector, recently a fund known as the Entrepreneurs Development Fund (EDF) was launched to provide interest free loans to informal sector entrepreneurs who are unable to obtain bank loans under the present conditions. Three prominent businessmen (Mr. Reginald Mengi the Fund Chairman, Mr. Jeetu Patel and Dr. Alex Khalid) contributed a total of Tsh. 30 million forming the Fund's seed money. President Ali Hassan Mwinyi, who launched the Fund, donated Tshs. 300,000.

The EDF is intended to meet the following objectives:

(a) assist people who are capable of starting small business in the informal sector but who cannot obtain loans from banks. These will be provided with necessary capital or tools and equipment.

(b) assist on-going small entrepreneurs who have failed to continue due to financial constraints.

(c) finance training and counselling to small entrepreneurs in management skills.

The Fund is a non-profit making organisation, intended to offer financial services on very flexible terms. The terms of the financial assistance offered are in the form of interest free revolving loans. A small charge is levied to cover administrative costs.

The foregoing is, but an unsystematic approach to a sector that is so crucial in the employment and income generation for a large section of the Tanzanian population. It is unsystematic mainly because the Government has been overtaken in response by the private sector itself.

It is the failure, in the past, by the government to recognize the 'power' of the informal sector that attempts have been made by policy to round-up job seekers in towns and transport them under escort to their home villages, but all in vain. Since no proper arrangements are made to deploy them, or enable them to engage in income generating activities, those same individuals return to the same urban areas where they continue to "loiter." The informal sector may effectively absorb these individuals if attempts are made by the Government to chart out the logistics of how such an absorption is supposed to take place. Such a programme can be charted only where there have been efforts by the Government to collect information about the sector. In Tanzania the informal sector contribution to the performance of the economy has not been systematically examined. As a result there is very little information on the nature, characteristics and potential of the informal sector.

Systematic examination of the potentials of the informal sector will facilitate the exploitation and maximum utilization of the informal sector as one of the effective means of addressing the general problem of unemployment in Tanzania. In this context, and for the sake of policy analysis, it is instructive to institute policy reform. There are two important considerations here: policy and institutional reforms. First, as already pointed out, growth of the informal sector has been fuelled by acute shortages of goods and basic services occasioned by the prolonged macro-economic disequilibrium. Policy reform currently initiated by the Government under the ERP and intended to restore the macro-economic balance is a move in the right direction.

Despite the implicit recognition of the role of the informal sector in employment generation by the Government, the sector's role and contribution to the national development has not been accorded the attention it deserves.[14/] The Government has not provided the necessary linkages between individual needs for income generating and the actual utilization of the opportunities which exists in the sector.

14/ "Daily News," April 6, 1990.

A study conducted in Dar es Salaam[15/] revealed that the interrelation and complementarity of the informal sector with the rest of the economy only need to be strengthened in order to maximize its job creation capacity, and hence reduce the high urban unemployment. However, in the longer term, the development of the informal sector will be crucially dependent on three closely interrelated factors: government policy--particularly with respect to the role of the private sector, incentives to private initiative and to the informal sector in particular-- the speed of economic recovery, and market constraint. Hitherto the Government has not issued any explicit policy about the status or measures it envisages for the promotion of the informal sector. Government promotion policy and support are necessary especially in the provision of credit which is tailored to meet the needs of small scale artisanal operators who lack sufficient collateral; and provision of basic infrastructure and a conducive environment.

RECOMMENDATIONS

(Proposed Measures and Strategies to Remove the Constraints)

In view of the afforesaid problems and constraints besetting the informal sector in Tanzania it is recommended that the Government should:

(a) formally recognize the informal sector through formulating and adopting an appropriate policy framework for its enhancement. Despite the Sector's role and contribution to the development of the economy, it has not been accorded the attention it deserves. There is inadequate information about nature, characteristics, problems and constraints, and opportunities made available by the informal sector.

(b) make deliberate efforts to consciously develop the informal sector and attempt to link it with the present formal economic system. The ability of the informal sector to produce goods and services at lower costs than the formal sector motivates the dynamic coexistence of the two sectors far into the future.

(c) directly or through other institutions facilitate the availability of premises in respective areas for informal sector enterprises. In the first instance, the informal sector has no public recognition as an important sector in the economy. People engaged in the sector are frequently subject to harassment by city council

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15/ ILO/JASPA "An Analysis of Dar es Salaam Informal Sector Survey" Dar es Salaam 1985.

officials due to lack of premises. Secondly, small scale undertakings in this country have been under a number of bodies - some times operating under the umbrella of Prime Minister's Office, the Department of Social Welfare or Small Scale Development Organisation (SIDO). Under such organisation, issuance of premise licences become operationally impossible.

(d) directly or through institutions work out a system whereby credit facilities would be extended to the low income earners in the informal sector. The most problematic feature here is the fact that very rarely does the informal sector receive credit from the financial institutions due to lack of project appraisal and accounting knowledge, as well as collaterals. SIDO funding policy, especially the people with no fixed premises, is that they have to be vetted by their respective local party leaders. However, most of those employed in the informal sector do not even belong to any Party localities.

(e) clearly define the licencing procedures and requirements for the informal sector while making these less cumbersome. The difficulties involved in obtaining a licence is one of the drawbacks which inhibits the growth of the informal sector. In this regard it is imperative that the licencing procedures and requirements are clearly defined and made less cumbersome. However, a veritable control of the process should be instituted so that the licencing process in the informal sector does not become an arbitrary affair. This will encourage a wider participation on one hand and a controlled development of the sector on the other.

(f) endeavour directly or through respective mechanism to provide a consultative and facilitating system for the informal sector. It has already been mentioned above that the necessary expertise is almost exclusively acquired in the informal sector itself. Informal sector enterprises train more apprentices and workers than the formal education system and the mostly governmental job-training schemes together.16/

(g) provide training opportunities for people engaged in the informal sector to levels of competence in respective skills. The informal sector provides jobs which require little human skills. An exception to this are some informal activities which often require several years of apprenticeship. However, it is recommended that prople engaged in the informal sector be trained to a respective level of marketing and other managerial skills to be able to identify the different markets for various informal sector activities products. This type of training could be provided through the public media-radios, cinemas etc.

16/ Maliyamkono et al op.cit.

(h) expend more efforts and commit more resources to raising the various managerial and business skills required in the informal sector. More importantly the so-called "Leadership Code" should be reviewed to allow Senior employees in the public sector take part in secondary activities, in which case they might be enable to take a more direct and active part in management of informal activities ran by their relative.

(i) create a conducive environment that will encourage the development of sustainable businesses in the informal sector. The environment in which the sector operates is full of uncertainties. By providing sound policy to this sector, it will eventually provide a sound foundation, albeit not well defined, structure of the national informal sector.

(j) deliberately encourage the private and public commercial sectors to promote and assist the development of the informal sector. If the informal sector is left on its own it might not be able to develop viably and sustainably. For example, under the trade liberalization, the availability of cheap imported goods has had a detrimental effect on the traditional informal sector goods which used to thrive during the pre-import liberalization period. To avoid this king of competition the informal sector may be assisted by the private commercial sector subcontracting the informal sector activities especially in distribution of its products or by actually financing those activities that are relevant to the product lines produced by the private and public commercial sectors. This will redefine the position of the informal sector, improve the image of its importance, and enhance its pace of development.

(k) In case of those business activities that are quite small and do not have high growth rate in the near future, the respective authorities should designate areas where these will be operational. Thus production and maintenance should be allowed to operate in "informal" estates. These areas should be adequately provided with electricity, water, transportation, sanitation, communication and other ammenities.

Therefore the study by Maliyamkono and Bagachwa[17/] which concluded that the informal sector contributed about 31.4 per cent of the officially estimated GDP in 1986 can only be seen as an approximation of the likely true figure.

17/ Maliyamkono T.L. and Bagachwa M.S.D. "The Second Economic in Tanzania" op.cit.

More detailed information can be given regarding the contribution of the informal sector to employment. In a study by a group of consultants[18/] the total number of jobs offered by the informal sector accounted for over 94 per cent of all wage employment. Our estimates in this paper suggest that the informal sector accounts for up to about 55% of total employment in Dar es Salaam. Due to different criteria of definition, the results available so far have to be interpreted and compared with caution, but they still highlight the value of the informal sector in overall economy. The exact size of the informal sector is hotly debated.

Regardless of the informal sector's size, there is a common agreement that the formal sector in Tanzania is symptomatic of over-regulation, a heavy bureaucracy and taxation. Many Tanzanians leave the formal economy because of these. Since the licencing procedures are cumbersome and other requirements to conform with in order to become legal, entrepreneurs opt to work informally. Although the growing informal sector is an indictment against the state's heavy handness, it is seen as a blessing in disguise even in official circles. It acts as a pressure valve for unemployment, provides numerous products and services, and broaden consumer choices.

The present analysis provides useful insights which could serve as guides to policy formulation. The informal sector in Tanzania should largely be seen as a less confrontational response to political and economic realities in the country. The informal sector operator has to bypass licensing, marketing and production regulations not only because they are expensive in terms of fees and time, but also because it happens to be the only way to meet his basic needs. In this regard, the informal sector has become inevitable because the formal economy has been effective in fulfilling its functions, the informal sector has been minimal.

Several studies have come to conclude that increasing capacity utilization in the informal sector may increase output and employment at low cost. Since, to a large extent, improved capacity utilization, will entail use of better tools, raw materials, production techniques and motive power, informal sector enterprises need a considerable amount of finance capital to invest in such assets. But they often do not even have sufficient working capital. The need for finance in the informal sector is of the outmost importance and beyond dispute.

It is strongly urged that credit be made available on the assumption that it will lead to expanded production. The recipient enterprises should be evaluated to assess their financial viability. If credit is granted, it should be strictly supervised. It is possible to be too lenient with disastrous consequence on the economy as a whole.

18/ ILO "Human Resource Redeployment" op.cit.

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C H A P T E R III

EMPLOYMENT GENERATION AND WORKER PRODUCTIVITY ENHANCEMENT IN TANZANIA: THE EMPLOYERS' PERSPECTIVE

CHAPTER III

EMPLOYMENT GENERATION AND WORKER PRODUCTIVITY ENHANCEMENT IN TANZANIA: THE EMPLOYERS' PERSPECTIVE

INTRODUCTION

In recent decades increased productivity has provided large segments of the world's population with a higher standard of living than previously known. If the rise in the standards of living are to be sustained it is imperative that productivity growth be continued.

Increased productivity enables business to grow i.e. more products, more customers, greater return on capital investment, more effective competition in the market place and more profits. Such a situation provides a conducive environment for employment creation.

Productivity in this connection creates a "win-win" situation; a situation where everyone gains - individuals, the nation and the future generations.

The question of employment generation and enhancement of worker productivity has to be seen in its totality. In the Tanzanian context a number of questions will be raised in this paper. Does Tanzania have the policy and institutional framework which would facilitate employment generation and enhancement of worker productivity? Have the present structures and institutions generated employment and enhanced worker productivity? Are there any options for Tanzania in this regard?

This paper attempts to answer these questions and goes on to suggest some of the options available for Tanzania.

BACKGROUND

Not much is documented on attempts to erhance productivity before independence. Serious attempts to address the question of productivity in Tanzania came about five years after independence when the Government invited the International Labour Organization (ILO) to study the country's situation as it then was and recommend policy measures on productivity, incomes, prices and the industrial relations machinery. The ILO appointed Professor Turner to conduct

the study and after the conclusions of the study submitted the famous Turner Report. The Turner Report was then translated into a working document by the Government. This was Government Paper No. 4 of 1967 on Wages, Incomes, Rural Development, Investment and Prices Policy.

The salient features of the White Paper could be summarised as follows:-

(a) There was need to bridge the gap between the incomes of wage earners and those of peasants;

(b) Restriction of wage increases to not more than 5% of the wage bill except where there was a Payment-by-results scheme.

(c) Wages and incomes policy must avoid the growth of excessive accumulation of wealth;

(d) Need for a machinery to facilitate negotiation within the framework of the policy hence creation of the Permanent Labour Tribunal.

The Permanent Labour Tribunal was then created in 1967 as one of the tools for implementing the White Paper based on Prof. Turner's Report. The Permanent Labour Tribunal's role and performance with regard to productivity enhancement will be examined in greater detail later.

EMPLOYMENT IN TANZANIA

Tanzania is a primarily agricultural country with a very small working class. Total wage employment has been as follows:

Year		
1980	-	603,193
1981	-	638,178
1982	-	675,192
1983	-	686,871
1984	-	633,380
1985	-	662,107
1986	-	692,787
1987	-	7000,037
1988	-	703,684

Source: National Productivity Council, Annual Report for 1989 (Unpublished)

The growth in unemployment would be put in perspective when matched against the growth trend in the Gross Domestic Product which is as follows:

Year	GDP Growth
1980	2.2%
1981	0.5%
1982	0.2%
1983	(4.9%) (Negative Growth)
1984	3.0%
1985	0.8%
1986	1.5%
1987	3.2%
1988	4.2%
Total Growth	10.7%
Average Growth	1.2%

Source: National Productivity Council -
Annual Report for 1989 (Unpublished)

In terms of growth, wage employment has shown the follo ng trend:

Year	Growth
1980	1.1%
1981	5.8%
1982	5.8%
1983	1.7%
1984	(7.8%) (Negative growth)
1985	4.5%
1986	4.6%
1987	1.0%
1988	0.5%
Total Growth	17.2%
Average Growth	1.9%

Source: National Productivity Council
Annual Report for 1989 (Unpublished)

A cursory look at these figures reveals that wage employment has over the last nine years grown a bit faster than GDP growth. This could be a pointer to the relationship between employment and economic growth. It may also suggest that employment growth has not been a function of economic growth.

The growth in employment seems to be a result of policy measures rather than a spontaneous response to changing economic conditions. The question as to whether the job openings which were available in the last nine years as shown in the data above were generated by increased economic activity dictating a demand for such openings of whether managerial considerations based on other factors were responsible for the job openings. The latter seems to be the case as a decision was made in 1985 to declare redundancies in most public sector institutions and enterprises.

The redundancies were attributed to overemployment in the public sector which implies that there were more workers than jobs.

Viewing this against the background of the Government Paper No. 4 of 1967 and Government Paper No. 1 of 1981 which will be discussed later we are inclined to believe that the last nine years witnessed a trend which was against some of the policy goals envisaged in those two Government Papers. Worker productivity cannot be improved in a situation of over-employment. If productivity is the ratio of inputs over output then more workers would mean more inputs and therefore the lower the ratio.

The period during which the two Government Papers have operated has not been a period of generating employment by prudent economic management but a period where employment was created by criteria other than economic criteria. It is a period where the link between employment and worker productivity was broken by decision-makers especially in the public sector.

PRODUCTIVITY ENHANCEMENT

Government Paper No. 4 of 1967

As mentioned earlier Government Paper No. 4 of 1967 was followed by the creation of the Permanent Labour Tribunal by Act No. 41 of 1967. Basing on Prof. Turner's recommendations the Tribunal was to register voluntary agreements, production targets and consider bonus applications within the confines of Policy on Wages, Incomes, Rural Development, Investment and Prices.

What was lacking was action at the enterprise level with clear guidelines on productivity improvement. Apart from the National Institute for Productivity which started as a department under the Ministry of Labour and later as an autonomous institute which conducted some studies and conducted training, no other measure

was taken to enhance the capacity of enterprises to adopt productivity programmes. As a result, enterprises were left to venture into their own productivity programmes or no programmes at all. The public sector with the oft-talked about control and sometimes interference of Parent Ministries, was not assisted to have the capacity, even where there was the will, to adopt productivity programmes. At times incentive programmes are not matched with plant capacity, business climate and the need for replacing old machinery or to invest in expansion programmes. Businesses found themselves at the precipice or in the ditch inspite of their well-meaning incentive and welfare programmes.

It could therefore be said that Government Paper No. 4 of 1967 left only one landmark i.e. the Permanent Labour Tribunal as an arbitration body rather than a tool of productivity enhancement.

Government Paper No. 1 of 1981
The National Policy on Productivity, Incomes and Prices

Like its predecessor (Government Paper No. 4 of 1967) this was conceived by the burcaucracy and handed down to industry. For the first time the Party, CCM drew up a policy on Productivity, Incomes and Prices and handed it over to Government for implementation. While some would dobut wisdom of a Political Party preparing an all-embracing policy for the Government to implement, others would question the wisdom of a policy not based on research into industry or on an in-depth assessment of the performance of previous policies.

However the National Policy on Productivity, Incomes and Prices as promulgated in Government Paper No. 1 of 1981 made some attempts to link productivity with the macro and micro economic factors. In brief, the policy stipulates that wage increases should be based on the GDP and growth and that such increase should not be over 60% of the GDP growth. It provides for enterprises to register production targets as a mandatory requirement and for the Permanent Labour Tribunal to make awards on bonus applications. The policy envisaged that by 30 August 1983 all employers should have entered into voluntary agreements with their employees and have them registered by the Permanent Labour Tribunal.

However, notable in this policy is the provision which states that salary wage increments should no longer be automatic but should be based on increases in productivity at the work place. Such increments should also be embodied in voluntary agreements. The policy also directed that studies be undertaken to introduce work norms in the services sector and work study in production units so as to facilitate measurement of productivity and the adoption of appropriate reward systems.

This policy which is still in operation has a number of shortcomings. First and foremost it was not based on a thorough research on the problems which faced the performance of enterprises and services in Tanzania. Because of the absence of a thorough study, most of the policy was based on interpolations on observations of public sector performance. Problems which existed and continue to exist in enterprises in Tanzania were not examined in detail in order to identify the causes. The policy therefore hinged on assumptions which could not withstand the test of time e.g. the changing international economic climate. Secondly, the policy did not examine in detail the then employment levels and the trend they had taken over the years. In other words the question of matching the workforce to the actual manpower needs of industry was not examined in detail. As a result of this, four years after the policy has been promulgated, massive redundancies in the public sector were ordered by a stroke of the pen. While emphasis was laid on the remuneration aspects of productivity on clear guidelines were provided on crucial issues like job evaluation, cost-effectiveness, energy management, preventive maintenance, industrial relations, role of employers and workers organizations and the macro-economic environment.

Thirdly, the National Policy on Productivity, Incomes and Prices was handed down from the tope for industry to accept as an article of faith. It was not a product of participatory endeavours whereby industry would have been fully involved. The policy came as one of those numerous, government orders which only required compliance failing which, some form of punitive sanctions would have been applied. In other words, the policy did not belong to industry but to government.

The policy does not on the face of it attract much interest from industry because industry was not a party to its formulation. Industry therefore does not feel that it is theirs and they should struggle to implement it. Where it could be avoided without serious consequences the better it was for industry.

THE INSTITUTIONAL FRAMEWORK FOR PRODUCTIVITY MANAGEMENT IN TANZANIA

The National Policy on Productivity, Incomes and Prices operates within the framework of the Planning Commission, the National Productivity Council, the National Institute for Productivity, the Permanent Labour Tribunal now the Industrial Court), The Association of Tanzania Employers and the Workers Union (JUWATA). The Planning Commission has the role of charting out the direction of national economic policy including productivity. The National Productivity Council has the role of conducting studies on productivity and advising government, industry and workers on productivity. The National Institute for Productivity is charged with the responsibility of providing consultancy services, training and to some extent conduct research on productivity. The Permanent Labour Tribunal (Industrial

Court) performs the function of registering voluntary agreements which are assumed to include productivity schemes, register production targets, and decide on bonus applications or incentive packages which had been registered with it. Employers and workers organizations provide the representation services for their constituencies and aprovide advisory services on industrial relations issues to their constituencies.

The Planning Commission as the custodian of national economic policy has the responsibility of giving policy guidance to all sectors of the economy. Its primary concern is the general up lift of the standards of living and of course translating CCM policies into action plans. Being a government department it has little priority on research, studies etc. on specific policy areas such as productivity, especially where there is already the National Productivity Council (NPC) and the National Institute for Productivity (NIP).

As mentioned above, the NPC is charged with the responsibility of conducting studies and advising government, industry and other actors on the national economic scene. The NPC however is spread thin in terms of manpower, finance and equipment. No wonder therefore that the NPC has conducted only a few studies and has only been able to provide very limited advice. What would have been the interface with productivity science has unfortunately been of little impact on industry.

The NIP which is fairly old has also been facing similar problems i.e., inadequate manpower, equipment and finance. As an autonomous institutions which is supposed to generate its own income of financing its operations, the struggle becomes more arduous given the little demand for its consultancy and training services in industry. The little demand for NIP services does not suggest that the NIP is facing stiff competition or that industry does not require its services but industry's awareness of the need to take certain measures to enhance productivity is limited. Industry is yet to appreciate productivity enhancement as an essential prerequisite for improved corporate performance. As has been said elsewhere industry has not internalised the National Policy on Productivity, Incomes and Prices so as to require the services of specialised agencies like the NIP. Only a few enterprises have ventured into elaborate productivity programmes which require NIP services. Such low demand for NIP services in turn affects the capacity of NIP to expand its scope of activities.

The employers and workers organizations are as well more pre-occupied with industrial relations issues and are also thin in terms of the capacity to provide advice on productivity programmes among their constituencies. They also lack manpower, finance and equipment.

difficult to speak of a national productivity movement. Even where all concerned have good intentions, these limitations present a serious impediment to the enhancement of productivity. In such circumstances, only isolated successes can be achieved. If one were to make an assessment of the success of the Tanzanian productivity movement, one would be inclined to say that there is a dire need to build the institutions of productivity management assuming that the policies are the needs of industry.

PRODUCTIVITY PERFORMANCE IN TANZANIA

Labour Productivity in Tanzania between 1980 and 1988 has been as shown in the tables below:

LABOUR PRODUCTIVITY (REAL VALUE ADDED PER EMPLOYEE) 1980 - 1988

SECTOR	1980	1981	1982	1983	1984	1985	1986	1987	1988	% Change 1980-88 Overall	% Change 1980-88 Average
Large Scale Agriculture, Forestry and Fishing											
Labour Productivity (shs.)	14,381	14,738	14,065	15,035	19,076	20,015	19,885	20,589	21,439		
Annual % Change	23.0	2.5	4.6	6.9	26.9	4.9	(0.6)	3.5	4.1	64.6	7.2
Labour Productivity Index	100	102.5	97.8	104.5	132.7	139.2	138.1	143.1	149.1		
Mining and Quarrying											
Labour Productivity (shs.)	32,034	27,493	25,986	23,031	34,701	28,957	24,811	26,512	24,274		
Annual % Change	(2.4)	(14.2)	(5.5)	(11.4)	(50.7)	(16.6)	(14.3)	6.9	(8.4)	(15.2)	(1.7)
Labour Productivity Index	100	85.8	81.1	71.9	108.3	90.4	77.5	82.8	75.8		
Manufacturing & Handicrafts											
Labour Productivity (shs.)	25,358	20,852	19,064	18,225	18,627	17,134	16,143	16,706	17,496		
Annual % Change	(22.0)	(17.8)	(8.6)	(4.4)	2.2	(8.0)	(5.8)	3.5	4.7	(56.2)	(6.2)
Labour Productivity Index	100	82.2	75.2	71.9	73.4	67.6	63.7	65.9	69.0		
Electricity and Water Supply											
Labour Productivity (shs.)	20,469	19,800	18,850	15,823	16,205	17,302	17,502	18,185	18,543		
Annual % Change	10.6	(3.3)	(5.0)	(16.1)	2.4	6.8	1.2	3.9	2.0	(2.5)	(0.3)
Labour Productivity Index	100	96.7	92.1	77.3	79.2	84.5	85.5	88.8	90.6		
Construction											
Labour Productivity (shs.)	19,157	17,879	17,659	10,949	19,206	19,883	26,693	26,696	28,599		
Annual % Change	8.7	(6.7)	(1.2)	(38.0)	75.4	3.5	34.3	0.01	7.1	83.1	9.2
Labour Productivity Index	100	93.3	92.2	57.2	100.3	103	139.4	139.4	130.3		

S E C T O R	1980	1981	1982	1983	1984	1985	1986	1987	1988	% Change 1980-88 Overall	% Change 1980-88 Average
Trade and Tourism											
Labour Productivity (shs.)	72.971	72,371	66,975	59,418	56,523	56,444	62,656	64,180	65,554		
Annual % Change	12.5	(0.0)	(7.5)	(11.3)	(4.9)	(0.1)	11.0	2.4	2.1	3.4	0.4
Labour Productivity Index	100	99.2	91.8	81.4	77.5	77.3	85.9	87.9	89.8		
Transport, Communications and Storage											
Labour Productivity (shs.)	31.173	27,835	26,976	24,095	24,184	23,490	21,707	21,925	23,201		
Annual % Change	15.2	(10.7)	(3.1)	(10.7)	0.4	(2.9)	(7.6)	1.0	5.8	(12.6)	(1.4)
Labour Productivity Index	100	89.3	86.5	77.3	77.6	75.4	69.6	70.3	74.4		
Financial Services											
Labour Productivity (shs.)	189,253	165,121	166,739	146,475	179,262	173,216	169,467	171,517	171,101		
Annual % Change	(23.8)	(12.8)	1.0	(12.2)	22.4	(3.4)	(2.2)	1.2	(0.2)	(29.6)	(3.3)
Labour Productivity Index	100	33.3	88.1	77.4	94.7	91.5	89.5	90.6	89.9		
Public Administration											
Labour Productivity (shs.)	17,518	17,413	16,458	15,306	16,287	12,919	12,561	12,557	12,918		
Annual % Change	(21.3)	(0.6)	(5.5)	(7.0)	6.4	(20.7)	(2.8)	(0.03)	2.9	(48.6)	(5.4)
Labour Productivity Index	100	99.4	94.0	87.4	93.0	73.7	71.7	71.7	73.7		
TOTAL											
Labour Productivity (shs.)	25,887	24,597	23,294	21,767	24,324	23,460	22,752	23,240	24,090		
Annual % Change	(35.7)	(5.0)	(5.2)	(6.6)	11.7	3.6	(3.0)	2.1	3.7	(41.6)	(4.6)
Labour Productivity Index	100	95.0	90.0	84.1	94.0	90.6	87.9	89.9	93.1		

Key(i) Labour Productivity Values have been worked from Table I

(ii) Labour Productivity is defined as $\frac{\text{Value Added (i.e., GDP is constant 1976 Prices)}}{\text{Total Number of Employees}}$

Source: National Productivity Council - Annual Report for 1989 (Unpublished)

From these tables it would be seen that labour productivity has been declining at an average of 4.6% per year between 1980 and 1988. As we saw earlier, employment has however been growing at an average of 1.9% during the same period.

What could be the reason for this trend? As it has been pointed out elsewhere in this paper unemployment growth has not been based on economic criteria especially in the public sector. Over-manning has been rampant leading to ad-hoc corrective measures like retrenchments and freeze on employment as happened in 1985. There are other factors which have contributed to this trend e.g. the world economic recession of the 1980's, national policy orientation i.e. creation of a large public sector without thorough study of its feasibility and viability. All in all the question of employment generation and enhancement of worker productivity has to be seen in the light of the performance in 1980 - 1988. It could be said that employment generation is not possible in a situation of declining labour productivity. Expanding employment where labour productivity has been declining can only mean a further decline in labour productivity.

WHAT COULD BE DONE?

Employment generation could be seen as a social issue or as an economic issue; a social issue where lack of new job openings results into increased unemployment and its social ills or an economic issue whereby creation of new jobs results into more production of wealth i.e., goods and services. Both issues are important but cannot be divorced from the need to enhance productivity so as to sustain any social programmes.

In this connection, I would suggest certain policy areas and actions to achieve both more jobs and higher productivity.

(a) **Role of Government**

Government should only provide the enabling environment for enterprise to grow, and facilitiate the raising of the levels of productivity. These include providing the facilities for improved training in corporate planning, electronic data processing, management information systems etc. It also involves provision of infrastructure which would support industry - e.g. roads, railways, energy, communication and health services.

Government should refrain from being the omnipotent and omnipresent businessman of the nation.

Government should not see itself as the only think-tank in the nation with the monopoly of knowledge and wisdom such that it only has the role of handing out circulars

or directives. All sectors of soci have to be fully involved so that they generate interest in following up their jointly-made decisions. The approach used by Government in the National Policy on Productivity, Incomes and Prices in most cases will generate apathy if not resistance.

(b) Institutional Framework

As mentioned earlier the capacities of the National Productivity Council (NPC) and the National Institute for Productivity to carry out their mission needs to be strengthened. Their relationship with management associations, professional bodies and universities both local and international need to be broadened and strengthened. The tripartite linkage of Government, employers and workers needs to be fully utilised.

Specifically the capacity of the NPC and NIP to conduct work studies to accurately measure productivity, to train and advise government, industry and workers needs to be strengthened. Ways should be found to make industry more fully involved in these activities.

Ways and means should be found to make industry "own" the concept of productivity, internalise it and embody it into their management pursuits. Industry should be the source of ideas, and programmes on productivity and not mere recipients

(c) Enterprises

Enterprises should be assisted to adopt workable programmes which do not require much intellectual work. Simple suggestions like a checklist of labour productivity issues could be given to enterprises. Enterprises could have a checklist like the one below.

(i) Waiting time should reduced. Late coming, down time (machinery breakdown) poor scheduling

(ii) Planning the Day so as to reduce costs when to start, how many hour of actual productive work

(iii) Quality Standards, customer needs, workmanship and quality control arrangements

(iv) Training: Are workers sufficiently trained? Could lack of training lower quality standards? Can a training programme improve the situation?

(v) Supervision (Instructions): Are supervisors correctly instruction workers? If so could that be improved?

(vi) Matching skills to tasks: Are the skills available too high or too low for the jobs being undertaken? Can that affect work flow and quality standards?

(vii) Working Conditions: Are they safe and comfortable? Are the amenities adeuqate? Is the workshop layout conducive to optimal performance?

(viii) Industrial Relations and Grievance Procedures: Are they s simple and do they provide prompt solutions? Do they adversely affect worker morale?

Such simple guidelines to enterprises could be a starting point towards enhancing worker productivity which would in turn lead to generation of more employment within the economy.

CONCLUSION

Productivity improvement is the key to sustained long-term economic growth productivity growth or enhancement does not happen at the national level. It occurs at the enterprise level, at the work place.

Every entrepreneur thinks about how his business could be run more profitably, but few consider how it could be run more productively. All involved need to be made aware that productivity improvement is a prerequisite to increasing profits.

"As an instrument of promoting economic development, productivity helps in generating surplus and provides the much needed capital for sustaining the people in their productive efforts thereby enhancing their ability to save through rises in the level of real incomes. In this context, the process of economic growth and the process of efficient utilization of resources have become interdependent, and any increase in productivity has to be regarded as a major component of economic growth. Every effort has therefore to be made to stimulate the various factors which come into and special attention has invevitably to be given to the task of promoting productivity of the economy as whole" (Dr. A.N. Saxena - "Productivity Improvement in Developing Countries" ILO, MANDEV 1985).

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C H A P T E R IV

STRATEGIES FOR IMPROVING WORKER PRODUCTIVITY: THE WORKERS' PERSPECTIVE

CHAPTER IV

STRATEGIES FOR IMPROVING WORKER PRODUCTIVITY: THE WORKERS' PERSPECTIVE

I. INTRODUCTION

When discussing productivity, most people correctly put emphasis on "labour productivity". The inference is that a productivity decline is a result of labour inefficiency. After heaping the blame on labour erroneous solutions that call for redundancies and retrenchment follows. What most people do not consider, however, are factors other than labour costs and the way these affect the generation of surplus in enterprises, be they state or private enterprises. This paper rests on the understanding that costs other than labour and surplus generation are central to higher productivity. Investment in human and non-human resources by way of expanding capacities at enterprise level very much depends upon the behaviour of factors other than labour inputs. Management holds primary responsibility for the attainment of higher or lower surplus and productivity levels.

II. MEANING OF PRODUCTIVITY AND NO HIGHER PRODUCTIVITY

Meaning and centrality of productivity

Productivity is a concept which has a direct bearing upon real income and the standard of living of people in a country. As such it is central to economic growth, development and overall prosperity of people. Professor Turner's Report to the Government of the United Republic of Tanzania issued in 1967 as White Paper No. 3 underscored the centrality of productivity by linking wage increases with increases in productivity.

Productivity is defined as a ratio between output and input. At the centre of the concept of productivity the person who performs the job is the primary agent. All other inputs are auxiliaries or "support weapons" that enable people to achieve higher productivity levels. As such productivity is a human based concept although in economic and commercial literatures we often come accross several productivities such as productivity of land, materials, machines.

As a ratio, the behaviour of productivity depends upon the behaviour of the numerator and the dominator. The numerator is output, while the denominator comprises inputs, that is costs. The behaviour of costs therefore has a direct impact upon total productivity.

No higher productivity: Role of entrepreneurial function.

For productivity to be high in an economy, entrepreneurship is a necessary condition and often a more sufficient condition. Any serious business executive would endorse this assertion. The Arusha Declaration underscores this point by emphasizing "good leadership"

as the fulcrum of development. The centrality of the enterpreneurial function should be looked at three levels, namely: national, sectoral and enterprise. The prime focus of this paper is on enterprise and sectoral levels. However, it is useful to point out that politicians, assisted by the civil service are national entrepreneurs. Politicians are supposed to create an environment which is conducive to the attainment of higher levels of productivity in enterprises. Training, economic infrastructure, fiscal budgetary and monetary policies and measures are what could provide a conducive environment. An inappropriate macro-economic environment often leads to rigidities that result in built-in higher costs and delays which reduce efficiency and productivity. This will be illustrated in the third section of this paper when we discuss problems prevalent in the formal, informal and agricultural sectors in Tanzania.

At enterprise level traditional economics correctly points out that factors or agents of production are needed. These are land, labour, capital and entrepreneurship. The role of entrepreneurship is to organize the three factors so that the desired target is achieved with least wastage and least costs. Entrepreneurship is thus the melting pot that should bring an enterprise to higher efficiency and higher productivity by balancing the use of resources and coordinating the efforts of everyone in an enterprise to achieve maximum results. The entrepreneurial function is essentially a management function and involves the following primary duties:-

- obtaining facts about the enterprise
- planning
- directing activities
- coordinating activities
- controlling operations
- motivating workers to want to do what has been planned

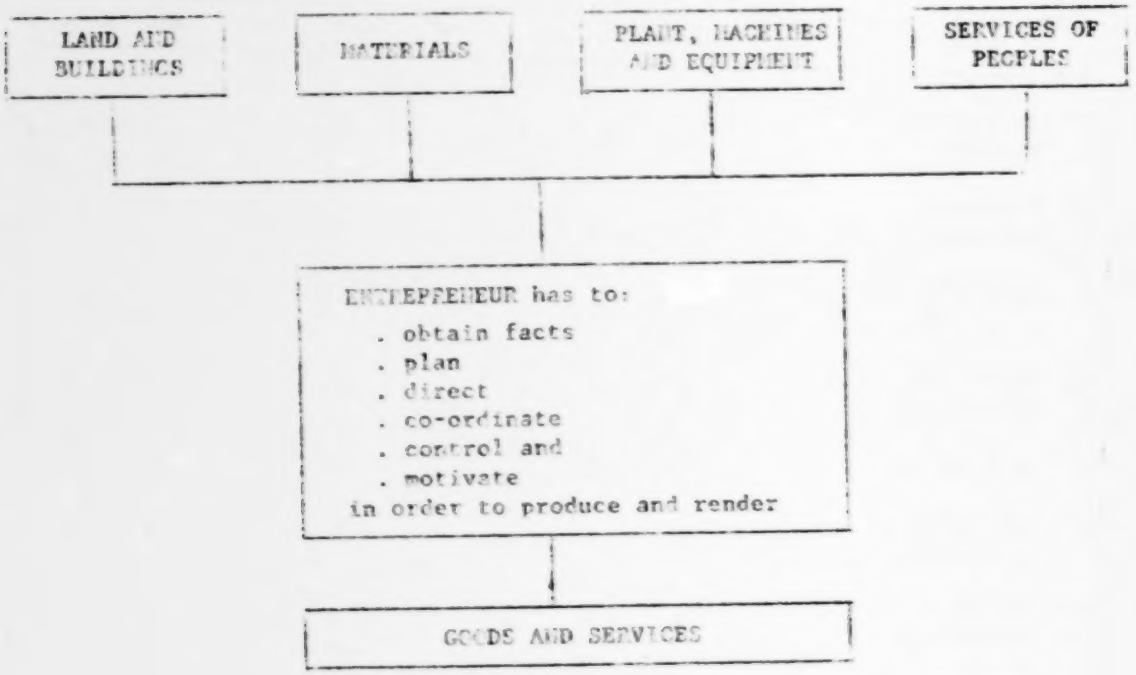
If the six entrepreneurial functions mentioned above and illustrated in the diagram below are not performed properly, attainment of higher productivity will always remain a wish! However, an examination of how each of these functions is executed in Tanzania leaves much to be desired. Research findings contained in a report entitled: "Improving Management in Southern Africa"[1/] shows the following:-

(1) that the skill of motivating employees is one of the most important factors to increase productivity in all sectors.

(2) That one of the problems concerning affecting worker motivating is the serious lack of motivation skills on the part of supervisors and managers.

1/ A Report to the Regional Trading Council of the SADCC, by the National Association of Schools of Public Affairs and Administration, Washington, D.C., U.S.A.

DIAGRAMATIC ILLUSTRATION OF THE ROLE OF ENTREPRENEURIAL FUNCTION IN EFFECTING HIGHER PRODUCTIVITY



Report to the Regional Trading Council of the SADCC, by the National Association of Schools of Public Affairs and Administration, Washington D.C. USA.

The table below summarises small needs in the SADCC countries as per the study referred to above. Needs rank from 1-11. It is evident from the table that Tanzania's entrepreneurs are lacking in as far as the following are concerned:-

(i) writing skills;
(ii) personnel management;
(iii) inter-personal relations; and
(iv) motivating employees.

Table 1: Rank Order of Skill Needs in the Nine Southern African Countries

Skill	Ang.	Bots.	Les.	Mal.	Moz.	Swaz.	Tan.	Zam.	Zim.
1. Motivating employees	3	1	1	2	1	1	5	1	2
2. Personnel management	2	4	2	3	4	2	2	4	4
3. Interper. Relations	4	3	4	1	6	5	3	3	3
4. Technical Skills	4	3	4	4	3	9	9	9	9
5. Writing skills	-	5	8	2	-	3	1	3	5
6. Knowledge of procedures	3	2	4	4	5	4	7	5	6
7. Financial management	4	6	5	4	-	6	11	9	7
8. Negotiating skills	-	8	6	2	-	7	6	6	8
9. Supervision	2	9	3	-	2	8	8	11	7
10. Bureaucratic politics	-	7	-	4	-	9	10	5	10

The conclusion one can draw from Table I is that attaining higher levels of productivity depend largely upon efficient management. Politicians with their policies as national entrepreneurs are responsible for creating the requisite enabling macro-economic setting, while managements as entrepreneurs at enterprise levels are responsible for higher productivity at their enterprises. Qualified workers may be adequate in terms of skills and however modern and effective equipment may be, higher productivity will not be attained unless there is good organization and motivation.

Level of know-how in society

The entrepreneur has been emphasized in the preceding section as being central to higher productivity. The emphasis is not undue. However, given that workers are the prime agents of production, their level of education, training and technical knowledge has a significant impact upon productivity. These three tend to make workers trainable and more adaptable to new technologies and techniques of production. A largely illiterate or semi-illiterate population is not good material for modern production of goods or provision of services except where division of labour has made jobs simple, mechanical and repetitive as in mines.

Plant, machinery and equipment

For production to take place not only people, but non-human resources should also be available. Modern production in all sectors require machinery, equipment, tools and plant. These have to be available in adequate quantities be of good quality and in good running conditions.

Productivity in Tanzania

The state of productivity in Tanzania has been affected by several factors which have no direct connection with either entrepreneurial capability or internal policies pursued by the Government or Party. The following factors have played a leading role:-

(a) In 1974 there occured the first oil shock. The economy found itself using over 60 per cent of its foreign exchange earnings to import petroleum and petroleum products. As the economy is heavily dependent upon imported inputs, a sharp rise in foreign exchange expenditure on one item tends to starve importation of others. As a result other sectors were forced to work below their installed capacity, enterprises in the manufacturing sector in particular.

(b) To aggravate an already grave situation created by the oil shook was the sharp deterioration of terms of trade punctuated by the 1977 fall in prices of coffee and an additional increase in oil prices in 1978.

(c) the breaking up of the East African Community (EAC) in which there were many joint ventures such as the railways, the East African Airways, the telephone system, research and other areas of co-operation, called for more expenditure of foreign exchange to establish new ones. This implied a diversion of foreign exchange to establish new ones away from other sectors existing.

(d) In 1978 the army of Idd Amin Dada of Uganda invaded and annexed the Kagera Salient. This meant more funds were required for the war effort.

(e) Climatic factors have also contributed significantly to low productivity and economic problems presently faced by Tanzania. The draught of 1974 led to massive importation of foodstuffs.

As a result of the events above, for about ten years before the ERP I, (1976-1986) economic performance in Tanzania was low. For example the GDP at 1978 prices grew at an average of 1.6 per cent per annum, a cumulative decline of 12.3 per cent, over the ten year period.

As this growth was below the growth of population, per capita GDP dropped from Sh. 1,328/= in 1976 to Sh. 1,164/= in 1986. By 1989 the figure had not reached the 1976 level as shown in Table II below.

Table II: Trend of GDP Per Capita for the Period - 1983-1989

	YEAR							
Price used	1976	1983	1984	1985	1986	1987	1988	1989
At current prices:	1328	3194	3868	5221	6715	8812	12819	15265
At 1976 prices:	1328	1167	1171	1172	1181	1186	1103	1223

Source: Economic Survey, 1989.

The low level of economic performance over a long period is linked to low productivity in all sectors. Table III below shows the state of productivity for nine sectors of the economy. The year 1980 is taken to be the base year.

Table III. Index of Productivity, 1980 - 1988

	1980	1981	1982	1983	1984	1985	1986	1987	1988
1. Agriculture	100	102.5	97.8	104.5	132.6	139.2	138.0	142.2	149.1
2. Mineral	100	85.8	81.1	71.9	108.3	90.4	77.5	80.8	75.8
3. Manufacturing	100	82.2	75.2	71.9	73.5	67.6	63.7	65.9	69.0
4. Water and energy	100	96.7	92.1	77.3	79.2	84.5	85.5	86.8	90.6
5. Construction	100	93.3	92.2	57.2	100.3	103.8	139.4	139.4	149.3
6. Trade	100	98.4	91.8	81.4	77.5	77.3	85.9	87.9	89.8
7. Transport	100	89.4	86.5	71.3	77.6	75.4	69.6	70.3	74.4
8. Finance	100	87.2	88.1	77.4	94.7	91.5	89.5	90.6	89.9
9. Administration	100	99.3	93.3	87.4	93.0	73.7	71.7	71.9	73.7
Total Average	100	95.0	90.0	84.1	94.0	90.0	87.9	89.9	93.1

Source: The National Productivity Council: Draft Productivity and Operations Report for the Year Ended 30th June, 1989.

Agriculture, the most important sector of the economy accounted for 39 per cent of the GDP in 1976. In 1986 it accounted for 41 per cent. During the period 1976-1988 the sector's growth was an average of 1.4 per cent per annum. This sector provides around 80 per cent of work opportunities with females predominating. In rural areas the distribution is such that 90.1 per cent of males and 97.4 per cent of females are in agriculture. In urban areas 73.0 per cent of women are engaged in agriculture while the proportion of males is 30.7 per cent.

Rural production is of low technology. Only 1.2 per cent of the rural labour force is engaged in occupations that involve craftsmanship and machines. Of the 1.2 per cent, women are only 7 per cent of the entire labour force.

Labour Force Skills

Educational levels of the labour force in Tanzania are very low and yet modern production techniques which are of high productivity require education and modern technology. Efforts by the government to provide universal primary education and education for self-reliance

have not bred the desired self-reliance. Even adult education has only managed to produce the so called "KKK" i.e. Kusoma, Kuhesabu na Kuandika - the 3 Ks - reading, writing and arithmetic. The situation is such that there are more literate males than females on the whole. In urban areas only 19.9 per cent of males had no formal education while in rural areas the proportion stood at 50.9 per cent. Around 51.8 per cent of the females in urban areas had no formal education while 73.3% of females in rural areas had had no formal education.

Given the degree of illiteracy in the Tanzanian society, women and rural women in particular, low productivity is likely to be an inherent phenomenon into some distant future.

Self-sufficiency in manpower

The longterm perspective plan 1964-1980 aimed at achieving self-sufficiency in middle and high level manpower. It is claimed that by 1980, 80 per cent of the target had been achieved. But shadows of doubt linger over the claim as it appears inappropriately qualified people were heading economic and other institutions. We have had extremes to the extent that infantry officers were given commercial enterprises to manage while politicians were given management of public enterprises. There seems to be a link between desire to achieve self-sufficiency in manpower and decline in productivity.

III. EFFORTS BY THE LEADERSHIP OF TANZANIA TO INCREASE PRODUCTIVITY

Institutions and productivity policy

Realizing the importance of productivity, the Government adopted the recommendation of Professor Turner of the ILO by introducing the National Wages policy in 1967. Several institutions were established to assist in translating into reality the desire to increase productivity in the economy. These institutions include:-

* the Permanent Labour Tribunal (PLT), 1967;
* the Presidential Committee on Parastatal Organisations (SCOPO);
* the National Institute for Productivity (NIP) 1974;
* the National Productivity Council (NPC), 1981.

Permanent Labour Tribunal (PLT)

The PLT was expected to perform the functions of an industrial court and to encourage increases in productivity by registering voluntary agreements. Collective agreements registered by the PLT as of 1967 were supposed to abide by the following:-

(a) increases in wages and salaries were not to exceed 5 per cent of the previous wage bill and not to cause layoffs or a freeze in employment;

(b) production should increase at least by 5 per cent for wage and salary increases to be effected;

(c) wage and salary increases should not hinder maintenance and expansion of enterprises;

(d) gap between earnings of farmers and workers on the one hand and between workers on the other, should be bridged.

Other institutions

(a) The SCOPO was charged with regulating wages and salaries of employees in parastatals and maintaining reasonable mobility of workers between government and parastatal employees.

(b) The NIP was established to provide consultancy services to enterprises on management and to provide training in industrial managerial skills and to act as consultants on improvement of productivity.

(c) The NPC was designed to advice the government on incomes, prices and productivity improvement strategies. To enable it to do this effectively and comprehensively, its membership includes: the private sector (ATE); parastatals (TAPO); the Government; the trade union (JUWATA); the NIP; the PLT and the SCOPO.

Later we shall see how institutional problems have arisen as a result of the existence of several institutions dealing with the same issues: productivity, wages and prices.

Vocational training and other policy measures

(a) the Government has a 20 years plan for spreading vocational training to regional and district levels. The objective is to impart knwoledge and skills.

(b) There is no clear policy regarding employment apart from verbal declarations that all able bodied people should work. The 1981 Party Guidelines merely went as far as defining "work". The Human Resource Deployment Act of 1983 came close to grips with the issue, but suffers from a multiplicity of interpretations. The only policy which seems to be clear is the one on "foreign employees" which is masked behind the slogan of "self-sufficiency in middle and high level manpower." Problems of productivity in non-wage employment have not been addressed at all.

(c) Education for self-reliance has not succeeded as the rural/urban exodus continues. Even youths in urban areas shun manual self-employment and seek wage employment or petty-trade.

IV. PROBLEMS PREVALENT IN THE FORMAL, INFORMAL AND AGRICULTURAL SECTORS

Productivity problems of the formal sector

The formal sector in Tanzania has four main problems pertaining to productivity.

(a) Overt dependency of the economy

The formal sector, generally referred to as the modern sector which employs workers and pays wages or salaries is overtly dependent upon the world economy. Enterprises in all sectors agriculture, industry, mining, fishing etc. are heavily dependent upon external resources. The industrial i.e. manufacturing, mining and energy sectors are highly import dependent. Production and hence productivity are heavily dependent upon availability of foreign exchange. A study made at the General Tyre E.A. Limited shows that unavailability of raw and other materials at factories has for the most part responsible for low productivity. In the words of the study:

> ".... material and energy productivities happen to be in a bad shape in General Tyre Company. In fact it may be generalized that most manufacturing companies are in the same boot as far as material and energy productivity deterioration is concerned."2/

Related to the problem of dependency of the economy upon inputs from abroad, is the problem of ever-increasing prices of these imported inputs. They have tended to increase faster than output of domestic products. As a ratio of output to inputs when expressed in money terms, productivity has consequently tended to have a downward trend.

(b) Institutional role conflict

Institutions concerned with productivity have tended to conflict ever several issues, particularly on implementation of the National Policy on Productivity, Incomes and Prices. Since 1987 commercial parastatal organizations were allowed to work out their own salary structures in accordance with ability to pay. Management of an enterprise agrees with its employees via JUWATA, (the workers' union) and the Board of Directors approves the salary structure. The problem arises as the parent ministry, parent corporation and SCOPO have the prerogative of quashing the National Policy on Productivity, Incomes and Prices. To illustrate this, a case of Kilombero Sugar Company is used.

2/ With scarce foreign exchange, purchases of industrial and agricultural inputs has been at low levels over years. As a result manufacturing enterprises have been working at low capacities. As a consequence, labour productivity has been low in almost all enterprises. Table IV below indicates this situation.

Table IV: Production Situation in Some Industries, 1986/87-1987/88

Type of Product	Measurement	Production 1986/87-1987/88	Capacity Utilization In % 1987/88
CONSUMER GOODS			
Beer	million litres ...	59.3..53.1...	46.6
Cigarettes	million packets ..	2.5.. 2.8...	29.2
Shoes	million pairs	1.0.. 0.5...	3.6
Cooking oil	tons '000	2.4.. 5.5...	15.7
Soap	tons '000	18.2..19.2...	16.9
Soft drinks	million m2	40.3..39.1...	19.6
OTHER GOODS			
Alluminium products	tons '000	1.8.. 2.1..	23.3
Cement	- " -	509.0..514.0..	38.1
Fertilizer	- " -	37.9.. 20.2..	18.1
Fishnets	- " -	72.0..131.0..	30.5
Petroleum products	- " -	467.0..583.0..	77.7
Iron/Steel products	- " -	8.9.. 12.4..	41.3
Hides/Skins	square feet	2.7.. 3.1..	11.3
Sacks	millions	5.7.. 4.8..	48.0
Battery vehicles .	'000'	24.5.. 26.2..	52.4
Tyre and tubes ...	'000'	295.3..298.7..	55.5

Source: Role of Financial Institutions in Tanzania Economy by Mr. Juma V. Mwapachu, Producers Seminar organized by CCM, (the ruling party) 3-5 May, 1989, IFM, Dar es Salaam.

Case of Kilombero Sugar Company

Following Government decision that commercial parastatals should draw up their own salary structures bearing in mind ability to pay, the management of Kolombero Sugar Company drew up a salary structure which was accepted by workers and approved by the Board of Directors of the Company. The Company had the ability to pay. Inspite of this, the parent corporation SUDECO and parent ministry, KILIMO with SCOPO's tacit support, quashed the agreement at enterprise level and the decision of the Board. They decided to linearize wages and salaries for the industry so that all workers are paid "service salaries and wages" applicable to non-commercial parastatals.

JUWATA (the Workers' Union) and the Kilombero social partners (i.e. management and workers) argued that workers at Kilombero be paid more as they had surpassed their target by 270 tons (1987/88 output was 42,500 tons while in 1988/89 and attended by representatives from SUDECO, Kilombero, Kilimo and JUWATA under the chairmanship of the SCOPO Chairman, it was agreed that Kilombero workers should be paid the salary/wages proposed by management and approved by the Board of Directors of the Company. However, implementation of this basic right has not been done. The case has been sent to the President of the United Republic of Tanzania even after PLT ruled in favour of workers.

The Kilombero case is a special one in that management seeks to motivate workers to work, an important entrepreneurial function. But several enterprises do not have managers who have taken the trouble to understand and implement the National Policy on Productivity, Incomes and Wages. When this management apathy towards the Policy is blended with institutional role conflict as illustrated above, productivity is seriously impeded.

(c) Economic infrastructure

Inadequancy of economic infrastructure is a serious impediment to productivity. Transport, communication, storage facilities, energy problems and availability of water for industrial uses are instances of inadequacy of economic infrastructure. Even the ERP II and the Second Five Year Development Plan recognize this to the extent that rehabilitation of roads, railways, storage facilities and power have been emphasized.

Inadequacy of entrepreneurship

We stated earlier that entrepreneurs have a pivotal role in bringing about higher productivity. Dependency of the economy upon imported inputs, medicines and spares tends to exonerate management of public enterprises from the entire blame for low productivity. However, evidence of inadequacy of entrepreneurship is to be found in the failure of public enterprises where private enterprises have succeeded. Many parastatal bosses were either civil servants or politicians with no background in management. Some have proved to be unconcerned with the real management problems of public enterprises. Cases in mind are the Tanzania Harbours Authority and the Tanzania Elimu Supplies (TES) which were the second and third in the list of leading public enterprises where thefts are highest. The TES was greatly assisted by SIDA to provide educational requirements for schools. But todate it is in serious trouble, failing even to pay monthly salaries to its employees.

(d) Improper pricing

Most commodities and services sold by public enterprises were subject to price control. Unfortunately the control in prices done with the intention of checking inflation, often put prices below costs. Cases are the National Bus Service (NBS), known as KAMATA and the City Transport Service (UDA). Fares for these transport companies were controlled by the government well below costs. As such they could not defray their running costs by themselves. Later they were told to be independent and self-financing. Such enterprises have great problems.

(e) Low pay

Wages and salaries in Tanzania are miserably low. By 1989 wages and salaries were providing less than one fifth of the purchasing power of the 1970s. Amounts paid by the Government to its employees as wages and salaries (wage-bill) have been declining steadily and the purchasing power of workers has continued to be eroded. The government wage-bill excluding wages and salaries for regions has been as follows:

1975/76	1980/81	1985/86	1986/87	1987/88	1988/89
3.76	27.4	19.4	15.2	15.6	14.0

Source: Tanzania Public Expenditure Review vol. II, page 26.

If debt servicing is included, the percentages becomes even lower. It should however be remembered that within the wage-bill there are ghost workers. A recent census revealed that the Central Government had 7,600 ghost workers while the local Government had 20,400 such workers. The decrease in the proportion that goes to workers has been compounded by the decrease in purchasing power. A World Bank Report underscores this thus:

> ".... it is quite true that pay has fallen to such a degree that productivity of government employees has been adversely affected."3/

3/ Tanzania Public Expenditure Review, May 1989, p.49.

Table V below indicates the situation even more vividly by showing the money wages, value of money wages at 1979 prices and what should have been the money wages for the years 1980 to 1989.

Table V: Minimum Wage Real Minimum Wage and Required Money

YEAR	MONEY WAGE	REAL WAGE	WHAT SHOULD HAVE BEEN THE MONEY WAGE
1980	480	386.83	725.16
1981	600	380.88	1176.00
1982	600	255.30	1523.40
1983	600	232.50	1935.00
1984	810	248.91	3557.52
1985	810	186.79	4741.74
1986	810	141.02	6279.12
1987	1260 (1055)	194.54	12693.24
1988	1260 (1370)	148.30	16652.16
1989	1260 (2075)	114.03	21648.06

Source: Second Five Year Development Plan Book III: Manpower

Effects of low pay upon productivity are again explained by the World Bank report thus:-

(i) Government employees do not devote all their working time to their official employment. They do other activities to top-up their low pay. Absenteeism, moonlighting and seeking gains from official positions become common. These being delays, deliberate or otherwise.

(ii) Government employees are tempted to seek financial compensation within the official system by initiating or soliciting unwarranted mission travel, etc. In this way time at work is reduced.

(f) Underfunding and under-capitalization

Most government institutions and departments are underfunded. Often budgetary allocations are far less than what is asked for by institutions and departments. We have thus had teachers without teaching materials, hospitals without drugs, agricultural extension workers without demonstration kits and without transport, road maintenance teams equipment etc.

Structure of government and ability to pay higher wages/salaries

The structure of an organization has a bearing upon its costs. An expensive structure will tend to have more costs. This seems to be the case with Tanzania. In 1972 the decentralized structure was undertaken. The objective was to "take services closer to the people and have decision-making close to them. Unfortunately in the process 20 ministerial positions in the name of "Regional Commissioners" were created and 20 "principal secretaries" in the name of PNDs were created too with all that goes with such high posts in terms of subordinate staff and other requirements. This greatly expanded the public wage bill, making upward wage and salary adjustments difficult as revenues grew at 16 per cent per annum. By the financial year 1974/75 the government began to experience a budget deficit.

Productivity problems in the informal sector

The informal sector which developed as a concept first in Kenya in the 1970s has of late received much attention.

The sector seems to have the potential to provide a solution, to the unemployment problem in Tanzania. However, the informal sector has had several problems in Tanzania. Some of the main problems of this sector are:-

(a) Legal: Informal sector enterprises are not registered according to law; they do not pay any taxes and have hardly any standards regarding their products and conditions of employment. In the light of this, the sector has tended to face the problem of acceptability. Often it has been an object of local government attacks in urban centers, Dar es Salaam in particular.

(b) Financial: The informal sector is constrained by inadequate capital. Starting an informal business requires money which banks are usually unwilling to provide. People who have established themselves in the informal sector normally spend several years accumulating capital.

(c) Skills: Another problem in the informal sector is the deficiency of skills. These in skill-intensive jobs take a longer period to establish themselves. This is so because skill acquisition is not organized and hence not easy. One has to push through by personal initiative, trial and error techniques and a pound of luck. This problem is ever more serious in a society where levels of education are low. We saw earlier that universal primary education and education for self-reliance have not achieved much and adult education has tended to produce the 'tripple-Z graduates - KUSOMA, KUHESABU NA KUAJIRIKA" (the 3Rs).

(d) Technology: A fourth problem of the informal sector is the availability of tools, equipment and work-space for the relatively high technical jobs. The problem of lack of, or inadequate tools is, however, being eased especially since the trade liberalization policy. A problem which still persists is financial capacity to purchase tools and equipment given the prevailing high prices. This is aggravated by deficient financial resources and everrising prices.

(e) Gender biases: Another problem of productivity in the informal sector is related to the predominance of women in the sector. In urban areas, women account for around 70 per cent of informal sector/operators. The rate of literacy among women in urban areas is lower than that of men with 51.8 per cent of urban females having had no formal education. Their jobs are consequently in areas that need little skills and hence low productivity. For example, 73 per cent of all urban women are engaged in agriculture where primitive tools are used with few inputs. Under such circumstances of high illiteracy amongst females productivity is certainly bound to be low.

Productivity problems prevalent in the agricultural sector

The agricultural sector in Tanzania is beset by a multiplicity of problems. The principal ones are: environmental, low technology, rudimentary production techinques, low skill levels and difficult access to land.

(a) Environmental

Agriculture in Tanzania is predominantly dependent upon rainfall. A truism is that without water the situation becomes a hopeless one. Rainfall failure in any year is disastrous. Droughts in recent years have proved this as they brought production and productivity almost to zero in areas such as Lindi, Mtwara, Masasi and Singida.

(b) Low production techniques in the agricultural sector

The majority of people are in rural areas where around 80 per cent of all jobs are located. Most of the rural labour force are women who are predominatly illiterate. They therefore lack many skills required for improving productivity. In addition, they face difficulties acquiring better tools, equipment and credit.

These problems are compounded by the fact that the rural population are predominantly self-employed with 72.3 per cent on own account and 21.3 per cent in some family work. In urban areas 73 percent of all women are engaged in sore form of agricultural activity.

(c) Marketing of agricultural products

Production is meaningless if what is produced does not get to the market. The agricultural sector in Tanzania suffers from this. Transportation is a major constraint. People in rural areas produce, but they do not get their products bought and transported in time. This greatly hampers their capacity to increase their incomes and productivity.

Related to marketing is the problem of storage. Storage capacity is inadequate in many parts of the country and reports of crops rotting in the field are common in the mass media. If the transport problem is solved, the storage problem will be reduced significantly.

Workers in estates and plantations

Workers in plantations and estates are faced with several problems which tend to reduce their productivity. Some of the major problems are discussed below.

(a) Housing

Most workers in large plantations live in very poor housing conditions Research done by JUWATA-ILO in 1988/1989 in four plantations Kilombero, Karimi, Lugongo and Kitisa substantiate this. In many cases households of up to 12 people of different ages and sex were found living in one room.

(b) Sanitary conditions and health

Most workers in plantations and estates live under poor sanitary conditions. Pit latrines for example, are shared by several households. They are often not clean. As a result diseases such as: diarrhea, malaria, dysentry, bronchial pneumonia, eye diseases, coughing, bilharzia, are widespread. These affect workers' productivity.

(c) Inadequate salary and wages

Most workers in plantations are given wages which do not enable them to subsist. Of the women interviewed in Kilombero, Karimi, Kitisa and Lugongo estates, 90 per cent replied that salaries of their husbands were not enough to feed their families for one month. As a result workers and their families were given plots of land by estates/plantations so that they could grow crops to supplement the low wages they were paid. This is a case where workers pay themselves to work for their employer! Productivity under such circumstances cannot be high.

(d) Childcare

Facilities for childcare in estates and plantations are inadequate. Often working women have to carry their children on their backs while working in the field. This greatly reduces their ability to work effectively and productively.

V. MEASURES TO INCREASE PRODUCTIVITY

Measures to remove constraints which reduce productivity fall in four main areas, namely:-

* those related to the macro-economic set up;
* those related to the formal sector;
* those related to the informal sector; and
* those related to the agricultural sector.

Macro-economic measures to effect higher productivity

Macro economic measures which should be undertaken involve the following:

(a) Improving existing economic infrastructure and expanding into new areas. Existing roads have to be improved and new ones constructed. Existing railway systems have to be used effectively and efficiently. Storage capacity has to be increased.

(b) Removing monetary and fiscal policies that create rigidities and liquidity problems to firms. A case in mind is the OGL and the 100 per cent cash cover that existed until June 1990. Such policies inhibit production. The 1990/91 budget appears to have addressed itself to these problems.

(c) The Government should encourage enterperises to begin producing goods which are imported, especially spares and raw materials that can be produced.

(d) The present price de-control should be applied to public enterprises so that they are free to charge more realistic prices. Cases of low prices such as UDA and KAMATA fares should be avoided.

Measures to improve productivity in the formal sector

(a) Entrepreneurship which is the pivot of success in any enterprises must be improved. Managers who do not show effectiveness should be weeded out soon rather than wait until public enterprises are about to collapse. This is an important pre-condition to raising productivity levels.

(b) The National Policy on Productivity, Income and Prices should be left to the social partners -workers and employers - to implement without government intervention. Institutions created in the past to enhance productivity should be rationalised to reduce institutional role-conflict.

(c) Working conditions in estates and plantations should be looked into more closely with a view to improving the lot of workers. Areas of concentration should be housing; sanitary conditions; water supply and health care; wages policy and childcare services. Recommendations of the Kimiti Report that looked into estates and plantations should be implemented more rigorously. The present efforts being made by the World Food Programme in the sisal plantations are very welcome.

(d) Culture of consensus: Economic progress is not tenable without democracy. In this regard, trade union rights have to be recognized by governments and employers in the light of the principles upon which the ILO was founded and the 1944 reaffirmation of the Declaration of Philadelphia. These demand that the following be done:-

(i) The government at national level should consult workers directly or through their trade unions on social and economic decisions that affect the situation of workers in particular, and the entire nation in general.

(ii) The policy of workers' participation at enterprise level should be enforced more rigourously in order to: increase productivity; check on the wave of large-scale thefts in public corporations and the extravagance of managers. The current resistance to workers' participation by certain members of management of parastatal organizations is determental to the success of parastatals and serves to create an atmosphere of mutual mistrust and strained industrial relations.

Measures to improve productivity in the informal sector. To increase productivity in the informal sector the following measures should be considered:-

(a) Providing skills to the many school leavers entering the labour force. Skills so provided should be in those areas which meet the needs of employers. The current 20 year Plan of the Vocational Training Division which seeks to set up one vocational training centre in each region and district is a step in the right direction.

(b) Informal sector operators should be allowed greater access to improve. Tools and equipment prices for these should be controlled at reasonable levels which would be affordable. Government fiscal policy would have to be adjusted to meet this need.

(c) Credit for financing of informal sector ventures has to be organized so that groups of people or individuals who want to set up enterprises can be assisted to so more easily.

(d) Knowledge about co-operatives should be disseminated more widely so that people get to know the advantages of co-operation. The erstwhile trade union of Tanzania, NUTA, did a splendid job by setting up the "Gerezan complex," the forerunner of SIDO; and TAMECO, a successful producers co-operative whose employees are co-operators.

(e) Production in the informal sector should be linked to the national efforts of reducing imports. For example such efforts as these being made in Kinondoni to produce motor vehicle shock-absorbers should be encouraged by government.

(f) The surest way to failure is to threaten and harass the informal sector the way it has been done in the past especially by the City Authorities of Dar es Salaam.

With some 390,000 people annually entering the labour force and the formal sector capable of employing only 41,174 the importance of the informal sector is a transparent reality indeed.

Measures to improve productivity in the agricultural sector

Measures to effect productivity increases in the agricultural sector include the following:-

(a) Increasingly bringing more acreage under cultivation and irrigation. Current efforts by the government as exemplified by RUBADA, Lower Moshi project are steps in the right direction.

(b) Inputs, equipment and tools should be made more readily available to peasant farmers. Taxes on these inputs whether imported or domestically produced, should be minimal. The decision not to tax tractors is a move in the right direction.

(c) Marketing of crops should be improved by easing bottlenecks and doing away with the policy of confinement. Payment to farmers should be prompt.

(d) Education should be improved in terms of quality so that more people receive the type of education that would enable them to organize themselves better for production.

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